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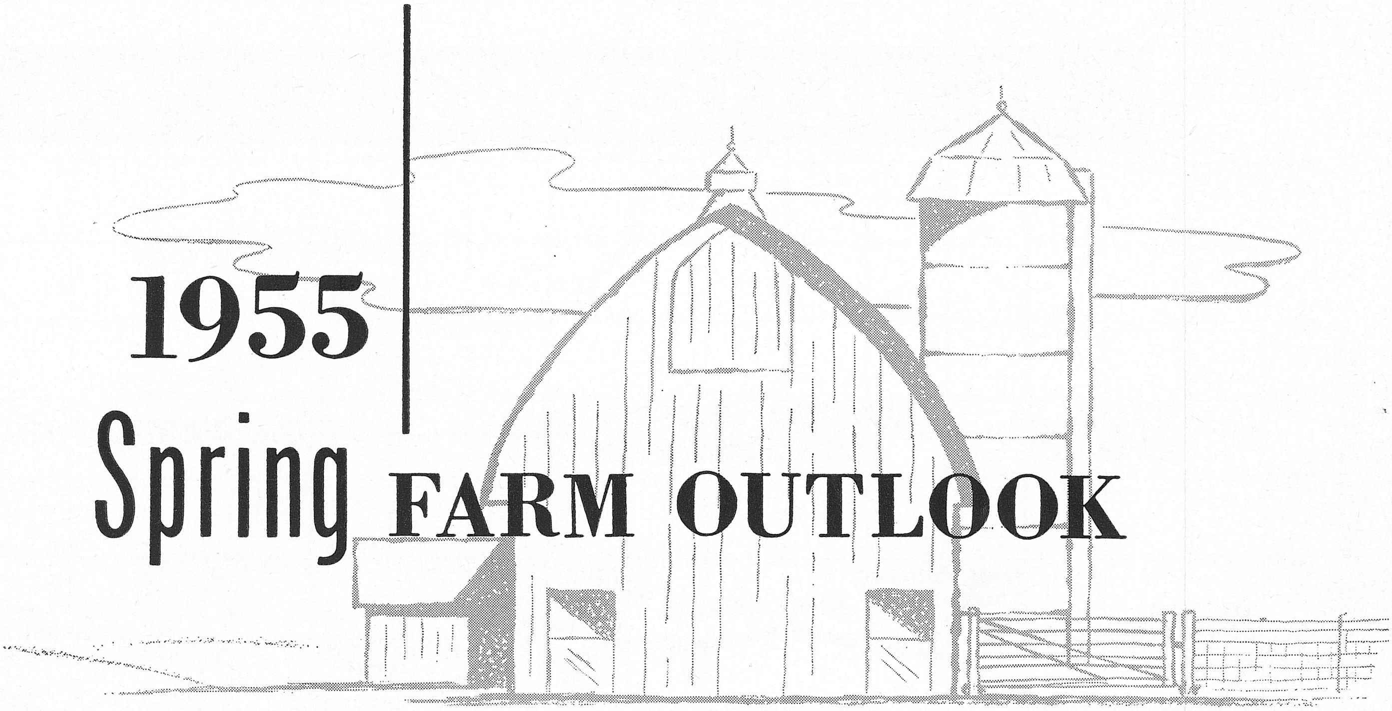
1955 Spring Farm Outlook

Iowa Farm Science Editorial Board

1955 Spring FARM OUTLOOK



BUSINESS continued to move upward during the first part of 1955. It carried the nonfarm economy well over that of a year earlier. In contrast, farm prices were lower.

Virtually all of the recent business drop took place between the spring of 1953 and the spring of 1954. Then business leveled out. Beginning in October 1954, it started increasing at a rapid pace.

Automobile production and new housing provided the main steam behind the upward surge. A third force was the end to inventory liquidations. As 1955 got under way, businessmen were buying about the same amount of goods as they were selling. This was in sharp contrast to a year earlier when businessmen were cutting back their orders and selling down their stocks. A fourth force was a slowdown in the rapid cutback in defense spending.

Steel production was stimulated by the boom in automobile production. But it also received a push from stepped-up buying of other hard goods in lines where inventories had begun to appear inadequate. Retail sales, pushed by sales of new-model cars, spurted. The net result was a sizable upturn in industrial production.

Looking farther ahead, the outlook for the rest of the year hinges mainly upon how well automobile business can be maintained, what happens to new home buying, the trend in inventories, and businessmen's investments in new factories and factory equipment.

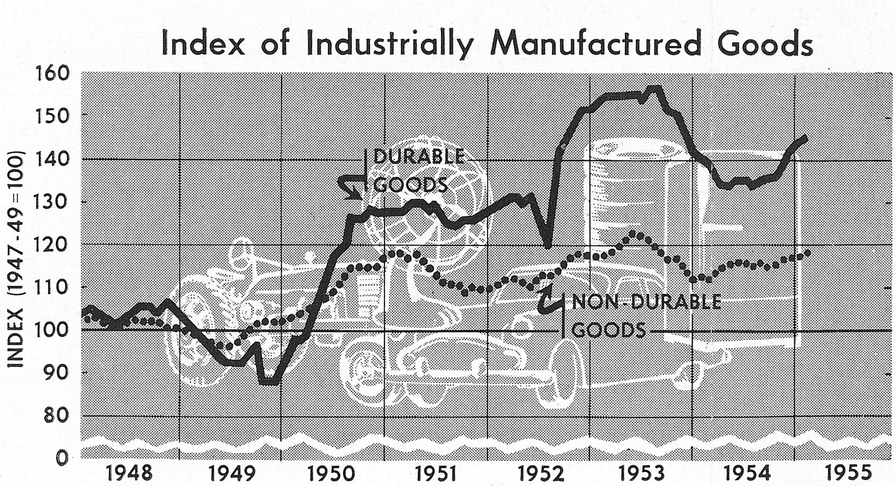
New Car Boom . . .

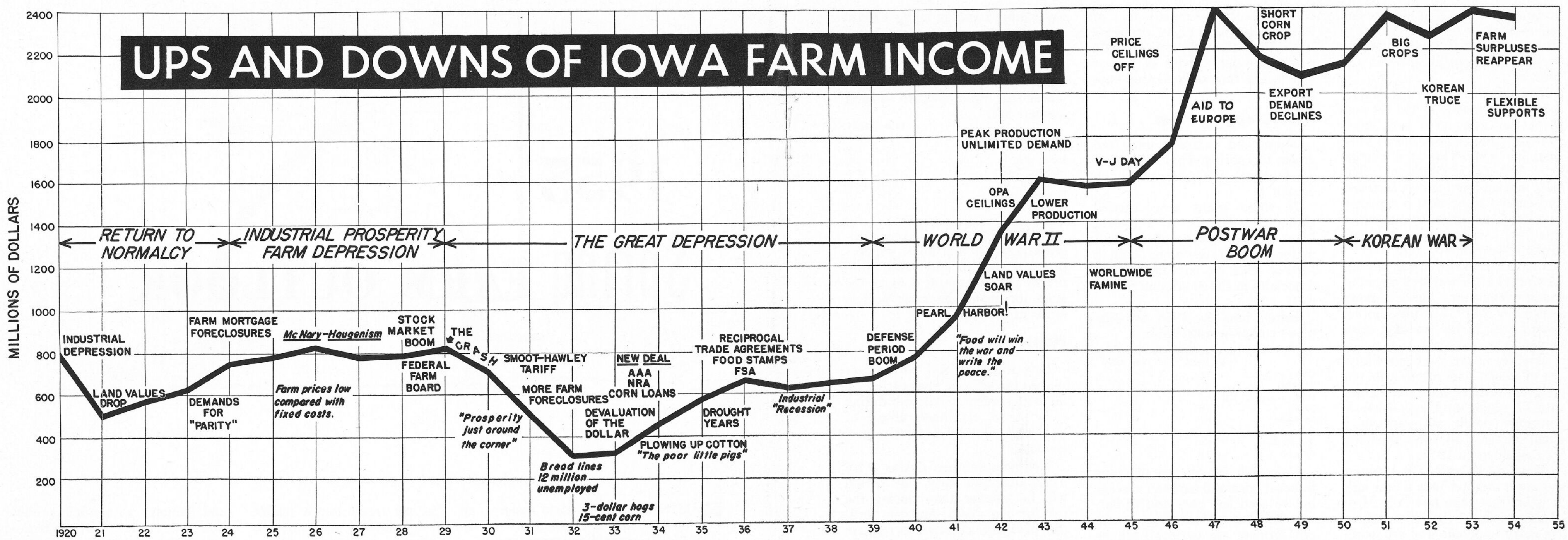
Passenger car output provided the most spectacular development in the production field. December and January automobile production was up far more than ever before for those months which usually see the automobile industry at a seasonal low.

We'll probably set a new record in auto production this year. But even so, we won't sell 8.5 million cars, the current output rate. So this force will lose some of its momentum later in the year.

Equally striking has been the home building boom. Many persons are concerned about the high rate of housing construction. They

Index of Industrially Manufactured Goods





wonder how much longer people will continue to buy a million or more homes per year. Nevertheless, replacement demand for houses is strong. The demand is evidenced not only in new houses but in generally sustained resale value of residential property and the continuing rise in rents.

One of the question marks surrounds the rise in credit. Consumers apparently have been spending more and saving less relative to their incomes than at any time in several years. And they're going into debt more heavily. During December new installment credit passed the 3-billion-dollar mark for the first time in history. Installment credit outstanding stands at an all-time high. Mortgage debt outstanding is rising at a rapid rate. How much of the business spurt has been the outgrowth of liberal credit use?

New unemployment compensation claims are still fairly large, but they are well below last year. And they've been declining. Yet, factory employment still has not matched the rise in production. Industrial production has risen 10 percent since last August. But nonagricultural employment is up only 1.2 percent.

Exports surged upward during the last half of 1954 and finished the year with goods flowing out from the United States at a rate of nearly 10 percent ahead of the rate at the end of 1953. The increase was mainly in metals, cotton, industrial chemicals and raw materials to supply industries which were expanding in Europe. But the United States Department of Commerce doesn't expect the upswing in exports of the last half of 1954 to be sustained.

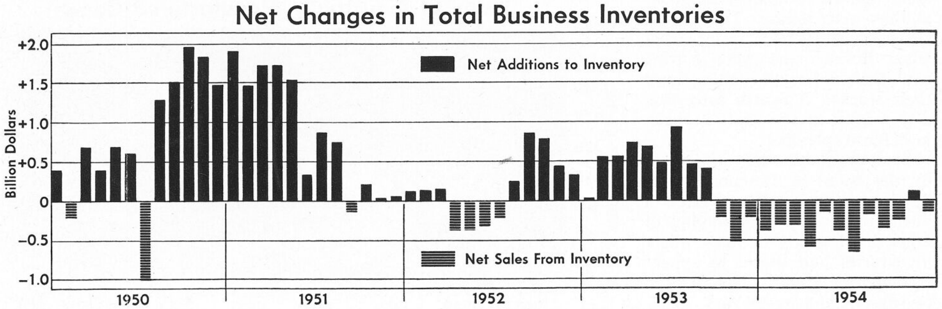
Here's a quick rundown of the demand picture:

Last year's business drop was pushed along by the sharp cut in *government* spending for defense. Present intentions point toward a slight cutback in the annual rate of spending for national security and other federal spending. This drop should be fully offset by heavier spending at state and local levels for new schools, highways and other governmental services.

So, barring any change in the international situation, little or no change is expected in the government purchase of goods and services during the rest of 1955.

Last year, *businessmen* cut back their inventory holdings about 3 to 4 billion dollars. If retail sales continue at recent levels, we can expect some build-up in inventory. Thus, the inventory picture should

Net Changes in Total Business Inventories



Farm Income . . .

Iowa farmers saw their farm income slip last year—but not as much as the national average. Lower prices to Iowa farmers for dairy products, poultry and eggs, lambs and wool — plus smaller crops because of the drouth—combined to offset higher hog and cattle prices through much of the year.

National farm income was off 1.4 billion dollars from a year earlier. The drop was due to larger output in the face of weaker business conditions and smaller exports. But most other states carried more of the loss burden than Iowa.

The Hawkeye state kept her number 2 ranking in farm income among states, however. We have run second to California ever since 1949.

Prospects for 1955 depend partly upon the weather. Prices for most farm products will be lower than in 1954. A few, such as eggs and cattle, will average higher. Dairy will be the same. Farmers who had a poor crop because of the weather last year will do better if we have good crops this year.

Thus, indications are that, for the state as a whole, farm income this year will show another drop. But again, the Corn Belt is faring better than some of the other parts of the country—especially the wheat and cotton areas.

be on a steady to plus side during the current year—in contrast to last year when it was a business depressing factor all through the year.

The latest survey of businessmen's intentions to spend for new plants and equipment now points to slightly higher spending in 1955 than in 1954. This is a change from last fall's intentions. The shift in spending for new factories and factory equipment is expected to take place during the spring of this year—ending a decline that began in late 1954.

Construction activity at the beginning of 1955 was well ahead of the previous year. There is every indication of 1955 being another record year in the building business.

Consumers are the biggest buyers of goods and services in our economy. Higher incomes, a lower rate of saving and expansion in consumer credit all point to a slight increase in total spending by consumers in 1955.

Thus, on balance, the business picture is brighter than a year ago. It is brighter than last fall. Most of the results of the improvement are going to people who are working in the automobile and other consumer durable goods, steel and textile industries.

The effects of the business upturn on most agricultural products have been small—mainly that of keeping prices from dropping more than they otherwise would have from their levels of a year ago in the face of increased supplies.

1955 Cropping Plans . . .

More land is going into feed grains this spring. That's the story of farmers' cropping plans on March 1.

If these plans are carried through, we'll see a 2-percent boost in the acreage of the four major feed grains along with a further hike in hay production, especially in the South and Southwest.

Here's how the 1955 cropping plans compare with 1954:

	Indicated 1955 (million acres)	Percent change from 1954
Corn	82.0	0
Soybeans	20.0	+ 7
Oats	47.7	+ 1
Barley	15.8	+ 9
Sorghums	21.3	+ 7
Hay	74.4	+ 2
Spring wheat	14.0	−12
Flaxseed	5.7	− 4

Corn Belt farmers are planning to boost corn and soybean acreage but to seed less oats and to harvest less hay. Meanwhile, southern farmers are cutting back on corn in many areas. But they're boosting seedings of small grains. Last year's corn crop was poor through much of the drouth area, while the small grains harvest was favorable. Land is being shifted out of cotton, wheat and tobacco into livestock feeds.

Meanwhile, the USDA has lowered price supports on most crops. Those that are of concern to Iowa farmers are:

	1954	1955
Corn, bu.	$ 1.62	$ 1.58
Oats, bu.	0.75	0.61
Barley, bu.	1.15	0.94
Soybeans, bu.	2.22	2.04
Cottonseed, ton	54.00	46.00
Flaxseed, bu.	3.14	2.91
Sorghums, bu.	1.28	1.00
Rye, bu.	1.43	1.18

The combination of larger feed-grain acreages and lower support prices is sure to lower feed-grain prices. The net result is to set the stage for further increases in livestock production.

Hogs . . .

Hog slaughter this past winter topped the kill of a year earlier by 20 to 25 percent. Slaughter during early April continued ahead of last year—but by a smaller percentage.

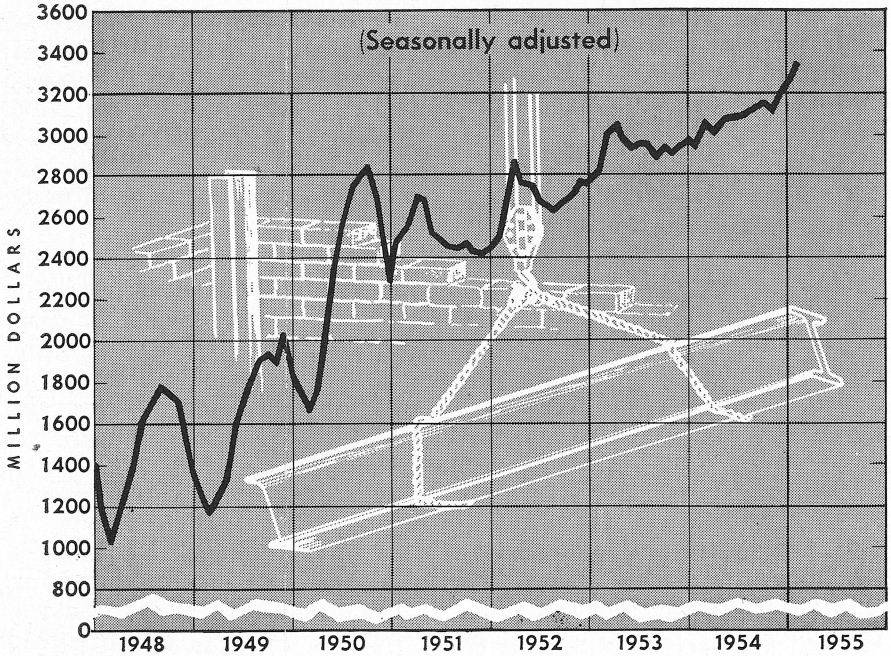
Hog marketings during the May, June and early July period will be smaller than during the rest of the year. And, in turn, this period is expected to register the most favorable hog market.

Early indications pointed to a 7-percent larger 1955 spring pig crop than a year ago. The big end of the increase was in winter-farrowed pigs—as was true last year. This means that the August-November hog slaughter will show the main share of the increase over last year. In contrast, the December-January hog kill should be up by a smaller percentage over last December and January.

It's clear that Iowans with early-farrowed pigs will want to get them off to market as fast as possible this summer and early fall.

Next winter's hog market probably will be as low or lower than the market of this past winter. However, the low spot may come earlier in the winter than was the case this past year when the bottom was scraped in March. This will be especially true if hog producers decide to stop increasing production next spring. In that case, we would get a boost in the number of gilts sold for slaughter compared with this past winter

Total New Construction



when farmers still were holding back breeding stock.

Feeds . . .

The eastern Corn Belt had a good corn crop last year. This has permitted much of the feed demand from the feed-deficit eastern states to be filled from Ohio and Indiana. This, in turn, has dulled the demand for corn at Chicago.

Meanwhile, there has been a rather steady flow of high-moisture corn out of the northern Corn Belt. Much of this has sold locally at a sizable discount to be trucked south into feed need areas.

While this has been going on, the USDA has been a consistent seller of corn—under the provision of the law which permits sale of corn under the formula price if it's out of condition or "in danger" of going out of condition. Buyers have been able to count on the regularity of 2 to 3 million bushels weekly of this government corn on the Chicago market all winter.

The net result has been a weak corn market this winter—except in corn-deficit areas. After we get past the germination period and most of this high-moisture corn has moved, we may get a tightening in the corn market. Most of this will take place in the high-moisture corn areas. Enough government corn apparently will move to market this year to keep the general market from advancing over 10 to 15 cents a bushel beyond the winter price.

Protein feed supplies should be ample to prevent the usual summer price rise—unless we have drouth damage to the 1955 crops. We have larger than usual supplies of soybeans to process during the rest of this year.

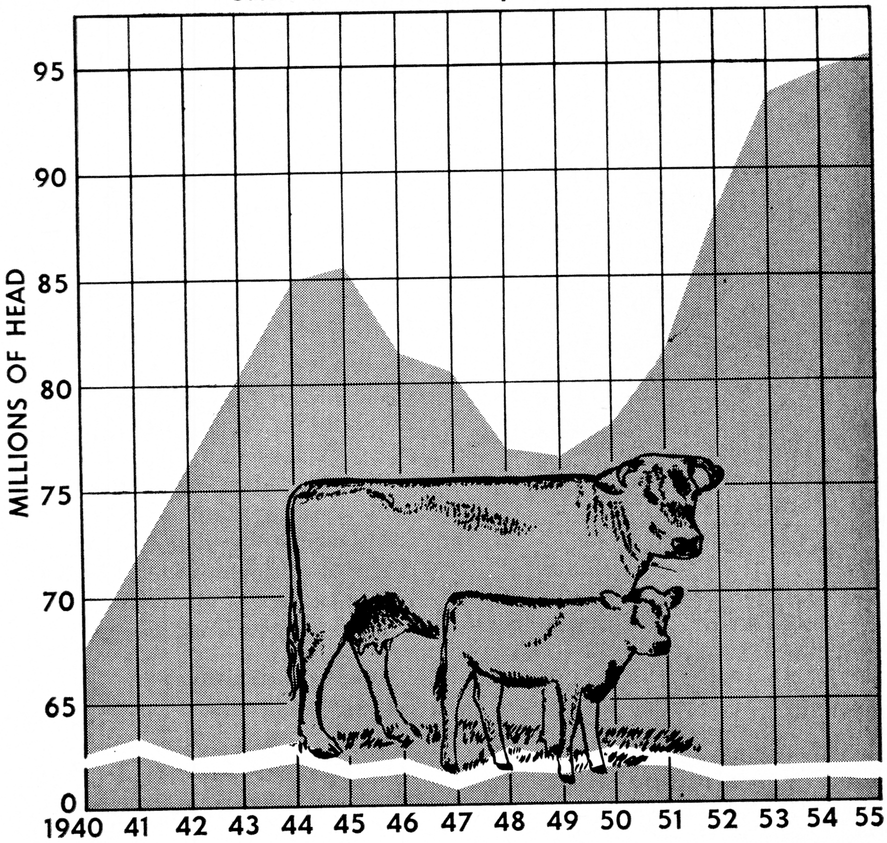
Cattle . . .

Last year makes the sixth successive year that cattle numbers have gone up from the 1949 low of 76.8 million head. But the rate of rise has slowed down to a walk. Last year's increase of 600,000 head was only a shadow of the 4-million to 6-million head increases we were making yearly between 1950 and 1953.

Though last year's cattle kill was a little over 39 million head, it still didn't prevent an increase in total numbers at the year's end. We'll have to kill 41 million head this year to make a dent in our total cattle population.

Boost in Cattle Numbers Slows Up

Cattle on Farms January 1—United States



It's plain that we're going to have relatively large beef supplies on the market for the next few years. If we can hold the increase in slaughter in line with our increase in population, we should have a relatively good beef outlook compared with some of the other farm products over the next few years.

The 1955 slaughter cattle picture started out with more cattle on feed than a year earlier. And the market price was well above the previous year for the upper grades. All winter long, farmers sold more cattle in the Good grade. But sales of top cattle were down.

More cattle moved into Corn Belt feedlots during the first 2 months of 1955 than a year earlier. The bulk of the increase of cattle on feed at the beginning of the year was in light cattle. So we can look for more liberal supplies of fed cattle this summer and fall than we had a year ago. This should prevent as sharp a rise this fall in cattle prices as we enjoyed in 1954.

Dairy . . .

The 1955 dairy outlook continues to be dominated by the USDA support level. Milk production continues to surpass consumption. But the gap is less wide than a year ago. With supports until next April set at the same level as the past year, income from dairying should be unchanged.

Milk production this year hinges mainly on the weather. If pastures are normal, the nation's output will equal or top last year's mark even though we have fewer cows than a year ago. State requirements that cows must pass Bang's tests to qualify for Grade A milk sale is helping to cut back cow numbers in the Midwest. Production per cow continues to climb.

Consumption is up slightly. But it still lags behind early postwar levels.